



AR08







**Consolidated
Morrison
Explorations Ltd.**

Suite 1700
11 King Street West
Toronto, Canada M5H 1A9
(416) 363-1644

A. Gordon Stollery
M.Sc., P. Eng.,
Managing Director

**Consolidated
Financial Statements**

for the Year Ended December 31, 1974
Consolidated Morrison Explorations Limited
and Subsidiaries

Officers

A. W. Stollery, B.Sc., *President*
Geo. T. Smith, B.A.Sc., LL.B., *Vice-President*
E. F. Hawken, *Secretary-Treasurer*

Directors

William James, Ph.D., *Toronto, Ontario*
H. Reimer, B.A.Sc., *Toronto, Ontario*
Geo. T. Smith, B.A.Sc., LL.B., *Toronto, Ontario*
Robert M. Smith, B.A.Sc., *Oakville, Ontario*
A. Gordon Stollery, M.Sc., *Toronto, Ontario*
A. W. Stollery, B.Sc., *Toronto, Ontario*
D. R. Watt, *Toronto, Ontario*

Honourary Director

Dr. P. W. Ferris, *Toronto, Ontario*

Auditors

Coopers & Lybrand,
Chartered Accountants,
145 King Street West,
Toronto, Ontario, Canada.

Registrars and Transfer Agent

Canada Permanent Trust Company,
20 Eglinton Ave. West,
Toronto, Ontario. M4R 2E2.

Bankers

Canadian Imperial Bank of Commerce,
25 King Street West,
Toronto 1, Ontario.

Executive Offices

Suite 1700
11 King St. West
Toronto, Canada

Front and Inside Covers

The inside cover shows several anomalous conductive zones discovered during airborne surveying in the Flin Flon Project. The front cover is a photograph of a diamond drill rig probing conductors of this type during the summer of 1974.

Directors Report to the Shareholders

for the Year Ended December 31st, 1974
Consolidated Morrison Explorations Limited

Consolidated Morrison Explorations today is actively seeking new sources of minerals from a strong financial base of conservatively-managed investments. This position permits the company to take a long-term view of prospects for the mineral industry and for other investments which might be undertaken.

Uranium

Your company's uranium projects have become most important as a result of burgeoning interest in uranium. Demand for the atomic energy metal is expanding rapidly as industrialized nations embark on large-scale development of uranium-generated energy. This breakout in the long-anticipated peaceful role of atomic power in modern society has occurred with the growing concern regarding future energy supplies. The much brighter situation ahead is illustrated by reports that the spot price for uranium has more than tripled to \$20 a pound. Canada's established uranium producers have major expansion programs underway and new mineral-extracting technology is being tested as part of the efforts of the mining industry everywhere to meet the needs of the energy industry. All these recent developments are of importance to the future of Consolidated Morrison because your company has been active in seeking uranium for many years.

The Urex Project, our major uranium exploration effort in partnership with David S. Robertson and Associates, has been underway for three years and has reached the stage of detailed exploration on the ground. To date, nearly 700 claims or 28,000 acres have been acquired in the venture, the most important of which are shown on the accompanying map of the Blind River and Agnew Lake areas of Ontario. Already several targets for diamond drilling have been indicated. Our 60% interest in these claims will provide the company with excellent

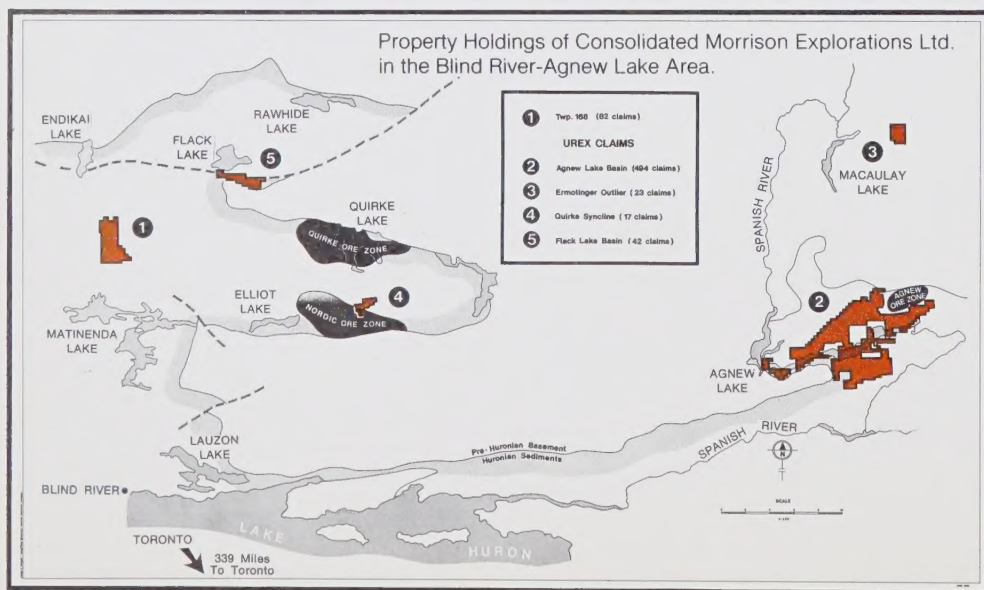
exposure to the possibility of a major grassroots uranium discovery. Efforts are underway to bring together the major financing necessary for broadened and accelerated exploration of these claims.

In addition to the Urex Project, Consolidated Morrison holds outright for its uranium potential an 82-claim group or approximately 3200 acres located in Township 168 in the western part of the Blind River Basin and shown on the accompanying map. This property is important in light of drilling in 1969 which intersected 473 feet of deltaic sediments including several uraniferous quartz-pebble conglomerate bands. The best assay was a one-foot section of 2.4 lbs. U_3O_8 per ton but wide sections of low-grade material were encountered. Arrangements are underway aimed at resuming drilling this year.

Through our wholly-owned U.S. subsidiary, Morrison Nuclear, Inc., we continue to hold interests in attractive uranium properties in the Powder River Basin, Wyoming. The recent price increases for uranium have enhanced the potential of these properties and it is planned to review their status in detail this year.

Flin Flon Project

During the past twelve months, a full-scale exploratory drilling program has been underway on our large land holdings south of Flin Flon, Manitoba. To date, nearly \$500,000 has been spent on this base-metal program in which Consolidated Morrison's present interest is 53.3%. Canex Placer Ltd. has managed and funded all of the recent follow-up and drilling work which, as of March 30, 1975, was comprised of 8,899 feet of diamond drilling in 23 holes to test 17 geophysical anomalies. While no ore grade intersections were encountered, several interesting sections of massive sulphides



were cut. So far, only a relative handful of the many airborne geophysics anomalies located in 1973 have been tested. The expectation of success in this program remains high although further activity awaits resolution of changing government policies.

Newfoundland

Your company is starting a period of significant activity in Newfoundland. Properties and projects have been assembled so that this summer will be a time of active field work. Reassessment of the Pilley's Island concession started in February 1975. The property contains abundant massive sulphide mineralization both of the Cu-Au and Zn-Ag varieties similar to the rich Buchans ore bodies mined by Asarco in central Newfoundland. Our objective is to reappraise the complex geology of this property to determine if a body of mineable ore reserves can be established. In the Tilt Cove-Baie Verte area, our landholding has been reduced to 110 claims from 185 claims. An airborne geophysical survey was completed the fall of 1974 and evaluation of the results will govern future exploration. At Great Burnt Lake where we hold a 90% interest in a 16 square mile concession, geochemical and other ground exploration programs are to be carried out this summer.

Other Mineral Interests

At the Sturgeon Lake mining camp in northwestern Ontario, 56 claims are being taken to lease. This property is held by Morcon Explorations Limited, a 74%-owned subsidiary of Consolidated Morrison. The claims had been optioned to Imperial Oil which has decided not to proceed further after an expenditure of some \$120,000 and 8,000 feet of drilling. However, the favourable geological location in relation to the producing Sturgeon Lake Mines Ltd. to the east continues to be of interest.

In the oil and gas activities of Morrison Nuclear, Inc., lease sales have reduced wholly-owned properties to 18,000 acres. Royalty interests continue to be retained on in excess of 30,000 acres.

Morlan Properties Limited

This wholly-owned subsidiary manages the real estate and property investments of your company. Five separate projects now come under Morlan with the addition of 175 acres near Caledonia on the outskirts of the industrial city of Hamilton. A joint-venture development of a group of downtown Toronto Victorian townhouses has been completed and sales are commencing.

Investments

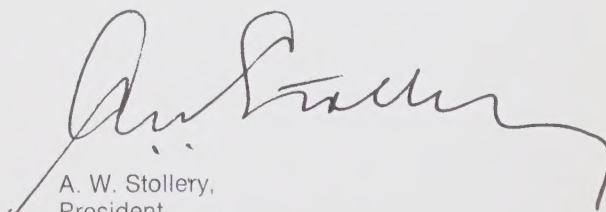
The major investment of Consolidated Morrison consists of 200,000 shares of Noranda Mines Limited. This investment has been most fruitful for your company. In the final quarter of 1974, Noranda increased its indicated annual dividend rate to \$2 a share with a 50-cent quarterly payment. In 1964, when Consolidated Morrison acquired its interest in Noranda, that major mining-industrial organization paid annual dividends equivalent to 72.5 cents on the present shares after adjusting for a two-for-one stock split in 1968. Total dividends paid by Noranda in 1974 were \$1.80 a share, an increase from \$1.40 in 1973. Noranda's earnings in 1974 were \$6.59 a share, ahead from \$5.17 the previous year. At recent market prices, your company's holding of 200,000 shares of Noranda had a market value of \$7.6 million, the equivalent of \$1.94 per Morrison share.

Outlook

While the immediate outlook for industry generally is uncertain and western economies are in a recession, Consolidated Morrison is in the fortunate position of holding investments of sound merit and emphasizing those areas of mineral exploration where the outlook is brightest. An economic recovery and resumption of more buoyant business conditions would permit the company to bring to fruition its property development projects; could facilitate the further development of the 25.9% interest in a large deposit of columbium in James Bay Lowlands which awaits growth in demand from the steel industry; accelerate the now obvious expansion of the atomic energy industry and thus increase the value of our uranium holdings.

Your company's policy of long-term planning and exploration programs is an inherent characteristic of the mineral industry where the knowledge of mineral deposits gained today is the basis for the productive developments of future years.

On behalf of the Board of Directors



A. W. Stollery,
President.

May 28, 1975.

Consolidated Balance Sheet

as at December 31, 1974

Consolidated Morrison Explorations Limited
and Subsidiaries

Assets		
Current Assets		
	1974	1973
Cash.....	\$ 120,611	\$ 197,808
Accounts receivable	81,357	47,675
Short-term investments — at cost	206,000	1,210,100
	407,968	1,455,583
Investment in and Advances to Joint Ventures (note 2)	617,433	—
Investment in Other Companies — at cost (quoted market value 1974 — \$5,891,465; 1973 — \$10,183,400) (note 3) .	566,272	605,738
Mining and Oil Properties (note 4)	2,482,442	2,310,158
Land Held for Investment — at cost (note 5)	3,185,697	2,576,503
Other Assets		
Furniture and fixtures — at cost, less accumulated depreciation (1974 — \$43,278; 1973 — \$38,817)	14,445	13,199
Bond issue expense, less accumulated amortization	—	16,847
	14,445	30,046
	\$7,274,257	\$6,978,028

Auditors' Report to the Shareholders

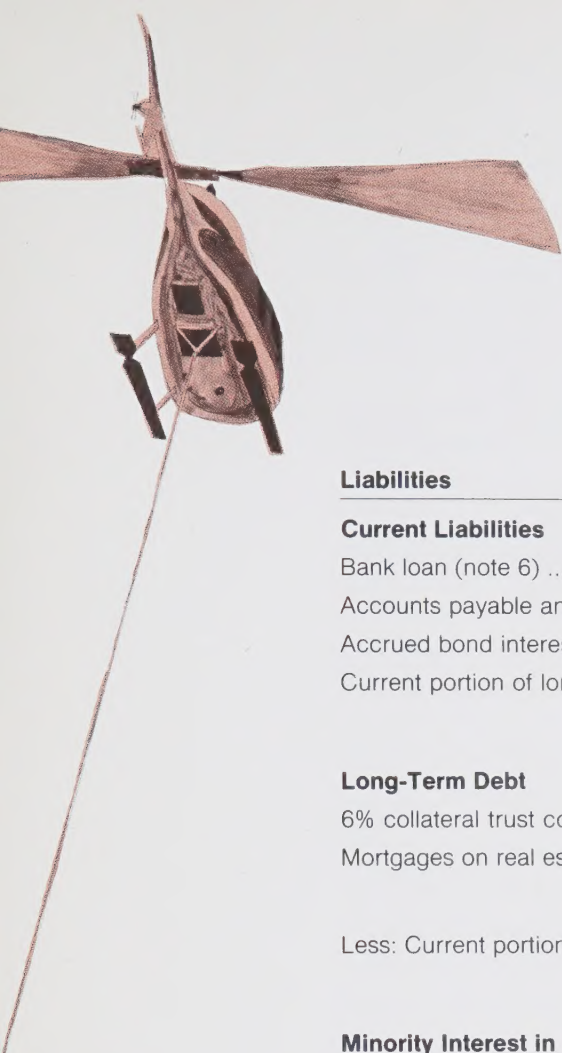
We have examined the consolidated balance sheet of Consolidated Morrison Explorations Limited and subsidiaries as at December 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the joint ventures.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants

May 13, 1975





Liabilities

Current Liabilities

	1974	1973
Bank loan (note 6)	\$2,100,000	\$ —
Accounts payable and accrued liabilities	83,365	88,127
Accrued bond interest payable	—	126,000
Current portion of long-term debt	62,680	2,112,575
	<u>2,246,045</u>	<u>2,326,702</u>

Long-Term Debt

6% collateral trust convertible income bonds, due December 31, 1974	—	2,100,000
Mortgages on real estate (note 7)	830,896	456,972
	<u>830,896</u>	<u>2,556,972</u>
Less: Current portion	62,680	2,112,575
	<u>768,216</u>	<u>444,397</u>

Minority Interest in a Subsidiary

14,625	14,625
<u>\$3,028,886</u>	<u>\$2,785,724</u>

Shareholders' Equity

Capital Stock (note 8)

Authorized — 5,000,000 shares of \$1 par value each		
Issued — 4,530,000 shares	\$4,530,000	\$4,530,000
Less: Discount	1,609,996	1,609,996
	<u>2,920,004</u>	<u>2,920,004</u>

Retained Earnings

1,325,367	1,272,300
<u>4,245,371</u>	<u>4,192,304</u>
<u>\$7,274,257</u>	<u>\$6,978,028</u>

Signed on Behalf of the Board

G. T. Smith, Director

A. W. Stollery, Director

Consolidated Statement of Earnings

for the Year Ended December 31, 1974

Consolidated Morrison Explorations Limited

	1974	1973
Income from Investments		
Dividends	\$360,000	\$280,000
Interest	82,142	113,608
Joint ventures (note 2)	9,598	—
	<u>451,740</u>	<u>393,608</u>
Administrative and Financial Expense		
General administration	215,605	142,633
Bond interest	126,000	126,000
Amortization of bond issue expense	16,847	16,847
Other expense	—	32,205
	<u>358,452</u>	<u>317,685</u>
Less: Amounts allocated to mining and oil exploration and applied to land held for investment	246,123	235,152
	<u>112,329</u>	<u>82,533</u>
Earnings Before Exploration Activity and Extraordinary Item	339,411	311,075
Exploration Activity		
General exploration costs	170,644	216,455
Mining and oil properties abandoned and exploration expenditures applicable to properties written off	104,612	65,811
Gain on sale of oil leases	(15,998)	(151,492)
	<u>259,258</u>	<u>130,774</u>
Earnings Before Extraordinary Item	80,153	180,301
Extraordinary Item		
Gain (loss) on sale of investments	(27,086)	22,184
Net Earnings for the Year	\$ 53,067	\$202,485
Per Share Information:		
Earnings before exploration activity and extraordinary item	\$0.075	\$0.069
Earnings before extraordinary item	\$0.018	\$0.040
Net earnings for the year	\$0.012	\$0.045

Consolidated Statement of Retained Earnings

for the Year Ended December 31, 1974

Consolidated Morrison Explorations Limited

	1974	1973
Balance — Beginning of Year	\$1,272,300	\$1,069,815
Net earnings for the year	53,067	202,485
Balance — End of Year	\$1,325,367	\$1,272,300

Consolidated Statement of Changes in Financial Position

for the Year Ended December 31, 1974

Consolidated Morrison Explorations Limited

Source of Working Capital	1974	1973
Current operations —		
Net earnings for the year	\$ 53,067	\$ 202,485
Items not affecting working capital —		
Depreciation	4,460	3,615
Amortization of bond issue expense	16,847	16,846
Net cost of oil leases sold	31,590	15,340
Income from joint ventures	(9,598)	—
	96,366	238,286
Mortgages on real estate	323,819	444,397
Decrease in investment in shares of companies	39,466	—
	459,651	682,683
Use of Working Capital		
Investment in and advances to joint ventures	607,835	—
Increase in investment in shares of other companies	—	5,750
Additions to mining and oil properties	23,591	19,249
Deferred exploration expenditures	180,283	216,787
Acquisition of land for investment	362,644	1,142,846
Carrying charges on land held	246,550	61,130
Reduction of long-term debt	—	2,350,000
Additions to fixed assets	5,706	344
	1,426,609	3,796,106
Increase (Decrease) in Working Capital	(966,958)	(3,113,423)
Working Capital (Deficiency) — Beginning of Year	(871,119)	2,242,304
Working Capital (Deficiency) — End of Year	\$(1,838,077)	\$ (871,119)

Notes to Consolidated Financial Statements

for the Year Ended December 31, 1974

Consolidated Morrison Explorations Limited

1. Accounting Policies

- (a) The consolidated financial statements include the accounts of the company and its subsidiaries of which Morcon Explorations Limited is 74% owned and the following are wholly-owned: Morrison Resources Limited, Morrison Nuclear Inc. and Morlan Properties Limited.
- (b) The carrying value of the investment in unlisted shares of other companies is generally cost, but is reduced to the extent that a decline in realizable value is considered to have taken place.
- (c) Mining and oil properties are generally carried at cost and exploration costs related thereto are deferred. If a

property is abandoned or considered to be of little future value, the cost thereof and the related deferred exploration expenditures are written off in the statement of earnings.

- (d) Land held for investment is carried at cost and applicable carrying charges are capitalized.

2. Investment in and Advances to Joint Ventures

During the year material interests were acquired in two joint ventures which are being accounted for by the equity method.

Continued

Notes to Consolidated Financial Statements

Continued

3. Investment in Other Companies

	1974	1973
Noranda Mines Limited — 200,000 shares at cost (quoted market value 1974 — \$5,700,000; 1973 — \$10,050,000)	\$ 351,702	\$ 351,702
Other listed shares — at cost (quoted market value 1974 — \$191,465; 1973 — \$133,400)	189,568	229,034
Other shares (unlisted or escrowed) — at cost less amounts written off	25,002	25,002
	<u>\$ 566,272</u>	<u>\$ 605,738</u>

4. Mining and Oil Properties

	1974	1973
Mining claims — at cost — Confusion Bay, Newfoundland	\$ 11,450	\$ —
Great Burnt Lake, Newfoundland (90% interest)	15,275	—
James Bay Lowlands, Ontario (25.9% interest)	5,600	5,600
Gowganda Area, Ontario	614,500	614,500
Flin Flon Area, Manitoba (53.3% interest)	5,328	5,328
Joutel Area, Quebec	—	3,805
Blind River Area, Ontario	63,231	63,286
Sturgeon Lake, Ontario	63,563	63,563
Converse County, Wyoming, U.S.A.	103,869	103,869
Other claims and interests	730	4
	<u>883,546</u>	<u>859,955</u>

Deferred exploration expenditures on mining claims — Confusion Bay	30,410	—
Great Burnt Lake	3,646	—
James Bay Lowlands	529,387	526,468
Gowganda Area	39,814	39,626
Flin Flon Area	83,375	71,009
Joutel Area	—	18,561
Blind River Area	424,350	378,570
Converse County, Wyoming	310,600	253,510
Other locations	37,953	22,924
	<u>1,459,535</u>	<u>1,310,668</u>
Oil and gas leases in the United States — at cost	30,259	41,132
Deferred exploration expenditures on oil leases	109,102	98,403
	<u>\$2,482,442</u>	<u>\$2,310,158</u>

The amounts shown for mining claims, oil and gas leases and deferred exploration expenditures represent net costs to date, less amounts written off, and do not necessarily reflect present or future values.

5. Land Held for Investment

Carrying charges capitalized during the year consist of:

	1974	1973
Property taxes and mortgage interest	\$ 186,210	\$ 20,079
Consulting, engineering and legal fees	60,870	23,070
Applicable portion of administrative expenses	11,182	19,481
	<u>258,262</u>	<u>62,630</u>
Less: Rental income	<u>11,712</u>	<u>1,500</u>
	<u>\$ 246,550</u>	<u>\$ 61,130</u>

6. Bank Loan

The bank loan is secured by shares in other companies having a carrying value of \$729,685 (quoted market value \$5,781,465).

7. Long-Term Debt

Mortgages bear interest mainly at 8% and 9% and principal repayments fall due as follows:

\$ 62,680 in	1975
46,123 in	1976
35,100 in	1977
\$686,993 after	1977

8. Stock Options

On May 10, 1974 stock option agreements were entered into by the company with three of its employees.

Collectively these individuals have options on 50,000 common shares of the company, at \$1.60 per share, exercisable at any time up to May 31, 1979.

9. Remuneration of Directors and Senior Officers

Directors and senior officers, as defined in the Business Corporations Act, received direct remuneration of \$85,541 in the year ended December 31, 1974 (\$67,625 in 1973).

10. Income Taxes

The companies have exploration and development expenditures, earned depletion and other deductions substantially in excess of amounts presently carried in the accounts, which may be available to reduce income taxes otherwise payable in future years.



